



IREM® From the Front Lines Podcast

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Bonus episode

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From Markup to Margin: Stop Overpaying for Janitorial Supplies

Erin:

Welcome to another edition of From the Front Lines, where we discuss both the day-to-day, and one-of-a-kind issues facing real estate managers. Today we're talking about something many real estate owners and operators never really dig into—the true cost of their janitorial services contract. When you get that monthly invoice from your cleaning contractor, you probably see one lump sum, but hidden inside that number is not just the cost of labor, but also the cleaning products—paper, liners, chemicals—and here's the kicker: those products are often marked up, sometimes significantly. So the question is, are you paying more than you should for the basics that keep your buildings running? And if so, what can you do about it? In this episode, we'll uncover how unbundling your janitorial supplies from your service contract can save you money, improve transparency, and give you more control. Joining me today is Maura Wilson, Senior Regional Director at OMNIA Partners. Maura helps property teams standardize specs, unbundle inflated supply costs, and leverage national pricing without sacrificing quality. She'll walk us through exactly how to turn hidden markups into real margin. Welcome to the podcast, Maura.

Maura:

Thanks, Erin. Thanks for having me.

Erin:

First of all, most property managers see one line item from their cleaning contractor, but what's actually hidden inside that invoice?

Maura:

You know, it's funny because last time I was on a podcast with you, I was talking about spend visibility to help drive up that NOI, that net operating income. Having that view into what dollars are going where is such a strategic starting point to managing spend. At OMNIA Partners, a national group purchasing organization, we are constantly getting AP spend dumps to help our members clarify that spend visibility. And I would say nine out of ten times in that property management space, there is no significant line for janitorial products. Huge numbers under services, but nothing under the product category. To me, that's a red flag. It means that the management company is getting one invoice from their BSC—and a BSC is a building service contractor. In that number, it's going to be a mix of service and product. And I should probably correct myself here a little bit—it's one invoice from each BSC, because management companies' footprints typically require multiple providers across different regions. For most of the companies we work with, that number is in the millions because we're talking millions of square feet being cleaned regularly. This concept is called a bundled spend—when all the spend for the labor and the

actual product, as you noted, cleaning supplies, paper products, dispensers—is literally bundled into one number on an invoice. And that invoice is clear as mud typically.

Erin:

All right, makes sense. And can you walk us through how janitorial supplies are typically marked up when they're bundled with cleaning services?

Maura:

The notion of a bundled spend is a long-time strategy utilized by the BSC. The BSC goes out to bid on products with a national distributor, and even the mid-sized BSCs are able to negotiate pretty competitive deals. These deals come not only from the distributor but also from the manufacturer, who will drive down their pricing to help the distributor reduce costs because they're committing so much of that spend to the manufacturer.

There are often, not always, but often additional incentives negotiated into these deals—rebates, free dispenser programs, growth value adders. And once these deals are in place, the BSC turns around, buys the product for their customer—the property managers—but rarely does the property management company see the cost, because it's bundled into that labor pricing.

Typically, the BSC is going to throw a cost-of-doing-business margin on that spend. This number can range wildly from BSC to BSC. It can even range wildly from region to region. Additionally, I personally have yet to encounter an organization that is receiving those manufacturer rebates that the BSC is earning on behalf of their spend back in any sort of payments.

And there's another catch that's lost in this cloudy reporting. If I'm a property manager and I have five BSCs I'm working with, they're not even aligning on manufacturer standardizations—meaning I have one region utilizing Kimberly-Clark, another standardized on Georgia-Pacific. So now not only am I capitalizing on these discounts and rebates directly from distributors and manufacturers that the BSCs are enjoying, but I'm not even leveraging my own spend with these companies to drive down costs.

The final note I'll make is on visibility. With that bundled reporting, there's very limited visibility into what my actual usage is on products. How many mats am I buying? How much toilet paper? There's no way with existing reporting to break out products that are actually being used to clean and maintain my properties.

So if you go back to my original comment—visibility is key to increasing NOI. But if you're in the dark on millions in janitorial spend, you're already behind the ball.

Erin:

All right, absolutely. That makes sense. And if a property manager wanted to unbundle those supplies, what are the first steps they should take?

Maura:

I've had this conversation around unbundling many times with the members I work with, and at some point in explaining the process, you can almost hear the record scratch sound because it's an undertaking. I'm not going to lie, and like most industries, resources are stretched and taking on a new project or process can feel overwhelming—but it's worth it.

The first step is getting those spend reports from the BSC—requesting probably about a six-month look-back usage on all products with pricing, unit of measure, and product description. That's your first step. It's a red flag if your BSC says they don't have this information—they do.

Once you get the reporting, you can decide how to take control. Some organizations will take that quote out to bid. Obviously, OMNIA Partners—and we'll talk more about this in a minute—but the GPO model is going to help you skip over the long process of gathering quotes, matching up unit measures, managing savings models, and taking the spend out to market.

The next step, which is key, is finding a strong distributor in the janitorial product space with unbundling experience. Do not be afraid to ask for references. Once you've identified your new product partner, organized your spend, negotiated pricing, and found those savings—it's implementation time.

And this is the part of the process where that record really scratches, because isn't that part of the ease of a bundled spend? A property manager never has to place an order or manage inventory. But here's the secret: you can still require your building service contractor to order and manage the product—it's just done on your contract with your pricing, with your negotiated incentives.

Every month, you see exactly what that BSC spent and how much they ordered. Now you can really have some fun with that spend because you have the leverage to go directly to the manufacturers and drive down costs, standardize products, negotiate further incentives, and you'll have the real live data to support your savings—not just some random jumbled number on a monthly invoice.

Erin:

All right, that all sounds great. And how does a group purchasing organization change the game in terms of pricing and transparency for these products?

Maura:

A GPO such as OMNIA Partners is going to help accelerate the process of unbundling. You get to skip the first steps of bidding and negotiating contracts because they already exist in a GPO and are already competitive. Really, you just need to get that usage and spend, toss it over the fence, and a strong GPO will do the analytics to report out on savings and future value opportunities—including product replacements and alternatives, standardization, and rebates.

Once you get aligned with the distributor and get that pricing in place and start driving the spend, then you can start working with the manufacturers for that next layer of value, which a GPO like OMNIA already has relationships with. That playbook is already written.

As the GPO's leverage spend grows with these supplier partners, members automatically see the value go up. I'll give you a quick example—recently, as many are seeing increases in pricing due to tariffs. Here at OMNIA, we have really strong relationships with our suppliers. We noticed this with this tariff increase, a lot of janitorial products are actually made stateside, so our distributor partner was able to drive down some of those costs to help counteract the increases due to tariffs on international products.

In the janitorial space, we were just divvying out new savings without the member having to even lift a finger. Those are all negotiations that a GPO helps manage on your behalf.

Erin:

Okay, perfect. That sounds awesome. And do you have a real-world example where unbundling saved a property management company significant money without sacrificing quality?

Maura:

I do. I have a really great example. I have a member I work with quite closely here at OMNIA. They had bundled spend across five separate BSCs for about 100 large properties, and we worked in a phased approach to determine if unbundling was the right option and then to execute on that.

The first phase was gathering all that usage, and internally at OMNIA we did those savings assessments across several distributor partners, because we don't sole-source in this category. We were able to run an internal RFQ on behalf of our members. Those partners presented their strategy and pricing, and one was ultimately chosen based on their track record and savings.

When all was said and done, on an apples-to-apples spend—meaning we were buying the exact same products they were receiving from their BSC—over \$5 million of spend, we showed 10% savings immediately.

Then we got to phase two, the rollout. We were very deliberate, in partnership with our distributor. Not all BSCs switched day one. We worked on training them—how to order, what to order, reporting, service levels—while the distributor learned how to deliver correctly, which loading dock to use, stocking needs, and service level adherence.

That led to phase three, which was really eye-opening in inventory management. The distributor walked the closets housing inventory and saw OSHA violations, excess inventory (way more than needed to cover a breakdown in a supply chain), limited product standardization, and not a lot of choice or alternates. The distributor worked to clean up that current state of purchasing, and in the first six months of actual usage, our savings reporting jumped to 16%.

Then in phase four, the manufacturers entered with experience under their belt. The distributor bid on standardization of products across the BSCs. The winning lead manufacturer included very hefty incentives—monetary as well as opportunities for things such as reduced dispense installation fees and consolidation areas that saved on hard and soft costs. These were all incentives that previously went directly to the BSC before; my member never saw them.

Phase five is the rollout of these manufacturing programs, monitoring inventory, and identifying alternate products—maybe replacing the Rolls Royce on the shelf with the Camry. It's all part of the management of the program directly between the distributor and the property manager, executed day-to-day by the BSC.

The final comment I'll make is that this set of properties—one operating company under a large umbrella of assets—and with the success of the program, we are now onboarding to other operating companies 200+ assets under the contract. Spend visibility has never been greater for this member when it comes to janitorial. The outcome of unbundling is real hard-dollar savings and rebates that drive up NOI, while giving leadership predictable reporting, spend visibility, and direct control over suppliers—all the things that drive strategic spend management in an organization.

Erin:

All right, awesome. So the bottom line is, when your janitorial supplies are bundled inside your cleaning contract, you're often paying a hidden premium. By unbundling and leveraging group purchasing power, you can save money, standardize products across your properties, and gain true transparency into what you're spending.

If this conversation got you thinking, now's the time to take a closer look at your next invoice. And Maura, for listeners who want to dig in, what's the best way to contact you and the team at OMNIA Partners to learn more or take the next step?

Maura:

Absolutely. The best place to start is our website, OMNIApartners.com. We have all sorts of contact forms and a bevy of information on our supplier partnerships, how we work, and of course, you can find us on LinkedIn as well.

Erin:

All right, great. Thanks, Maura. We'll include these contact details in the show notes as well. And thanks so much for joining us today.

Maura:

Thank you.

Erin:

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